

SECOND REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
HOUSE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 863

94TH GENERAL ASSEMBLY
2008

3514L.02T

AN ACT

To repeal sections 166.425 and 166.435, RSMo, and to enact in lieu thereof two new sections relating to the income tax deduction for contributions to the Missouri higher education savings program.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 166.425 and 166.435, RSMo, are repealed and two
2 new sections enacted in lieu thereof, to be known as sections 166.425 and
3 166.435, to read as follows:

166.425. All money paid by a participant in connection with participation
2 agreements shall be deposited as received and shall be promptly invested by the
3 board. Contributions and earnings thereon accumulated on behalf of participants
4 in the savings program may be used, as provided in the participation agreement,
5 for qualified higher education expenses. **Such contributions and earnings**
6 **shall not be considered income for purposes of determining a**
7 **participant's eligibility for financial assistance under any state student**
8 **aid program.**

166.435. 1. Notwithstanding any law to the contrary, the assets of the
2 savings program held by the board [and], the assets of any deposit program
3 authorized in section 166.500, and **the assets of any qualified tuition savings**
4 **program established** pursuant to Section 529 of the Internal Revenue Code and
5 any income therefrom shall be exempt from all taxation by the state or any of its
6 political subdivisions. Income earned or received from the savings program [or],
7 deposit, **or other qualified tuition savings programs established under**
8 **Section 529 of the Internal Revenue Code** program shall not be subject to
9 state income tax imposed pursuant to chapter 143, RSMo, and shall be eligible

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

10 for any benefits provided in accordance with Section 529 of the Internal Revenue
11 Code. The exemption from taxation pursuant to this section shall apply only to
12 assets and income maintained, accrued, or expended pursuant to the
13 requirements of the savings program established pursuant to sections 166.400 to
14 166.455, [and] the deposit program established pursuant to sections 166.500 to
15 166.529, and **other qualified tuition savings programs established under**
16 Section 529 of the Internal Revenue Code, and no exemption shall apply to assets
17 and income expended for any other purposes. Annual contributions made to the
18 savings program held by the board [and], the deposit program, **and any**
19 **qualified tuition savings program established under Section 529 of the**
20 **Internal Revenue Code** up to and including eight thousand dollars [for the
21 participant] **per participating** taxpayer, **and up to sixteen thousand**
22 **dollars for married individuals filing a joint tax return**, shall be
23 subtracted in determining Missouri adjusted gross income pursuant to section
24 143.121, RSMo.

25 2. If any deductible contributions to or earnings from any such program
26 referred to in this section are distributed and not used to pay qualified higher
27 education expenses or are not held for the minimum length of time established
28 by the appropriate Missouri [state authority] **board**, the amount so distributed
29 shall be added to the Missouri adjusted gross income of the participant, or, if the
30 participant is not living, the beneficiary.

31 3. The provisions of this section shall apply to tax years beginning on or
32 after January 1, [1999] **2008**, and the provisions of this section with regard to
33 sections 166.500 to 166.529 shall apply to tax years beginning on or after January
34 1, 2004.

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